

SOUTH CAROLINA CONSERVATION BANK

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

August 12, 2020

Members of the Board
South Carolina Conservation Bank
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Conservation Bank for the fiscal year ended June 30, 2020, was issued by Greene Finney LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/cmw

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**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

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YEAR ENDED JUNE 30, 2020

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of South Carolina Conservation Bank (the "Bank") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of South Carolina Conservation Bank as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter Regarding the Reporting Entity

As discussed in Note B, the financial statements of South Carolina Conservation Bank are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and aggregate remaining fund information of the State of South Carolina that is attributable to the Bank. They do not purport to, and do not present fairly the financial position of the State of South Carolina as of June 30, 2020 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, Other Postemployment Benefit ("OPEB") plan schedules, and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2020 on our consideration of the Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bank's internal control over financial reporting and compliance.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
August 12, 2020

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

The following is a discussion and analysis of South Carolina Conservation Bank's financial performance and provides an overview of the activities for the fiscal year ended June 30, 2020. Please read in conjunction with the financial statements, which follow this analysis.

South Carolina Conservation Bank (the "Bank") was established by the South Carolina Conservation Bank Act and was passed into law by the General Assembly and signed by the Governor in 2002 and amended in 2018. The Conservation Bank was established for the purpose of making grants to public and private entities to acquire interests in real properties worthy of conservation, to provide for the governance of the Bank, and to establish the South Carolina Conservation Bank Trust Fund to receive revenue and to provide the criteria which the Bank must use in judging applications for grants, and to provide that revenue of the State portion of the deed recording fee credited to the General Fund of the State is instead credited to the South Carolina Conservation Bank Trust Fund. The Bank is part of the primary government of the State of South Carolina (the "State") and its fund is included in the State's Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

- The Bank's net position, all of which is unrestricted, decreased 115% or \$2,804,685 to a net deficit of \$367,115. The deficit is primarily due to the net pension and other postemployment benefit ("OPEB") liabilities and related deferred inflows.
- The Bank's fund balance of \$298,808 is fully committed for Conservation projects.
- Total revenues reported in the Statement of Activities were \$12,616,990 for the year ended June 30, 2020, an increase of \$3,480,231 from the prior fiscal year.
- The total expenses reported in the Statement of Activities were \$15,421,675 for the year ended June 30, 2020, an increase of \$3,216,054 from the prior fiscal year. The increase is the result of the approved use of carryforward funds of \$2,804,685 in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two parts – the *Financial Section* (which includes management's discussion and analysis and the financial statements) and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bank's financial statements. The Bank's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Bank through the use of government-wide statements and fund financial statements.

Government-Wide Financial Statements

The financial statements include two kinds of statements that present different views of the Bank. The *government-wide financial statements* are designed to provide readers with a broad overview of the Bank's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Bank's assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bank is improving or deteriorating.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Bank's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bank, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Bank's budget ordinance. All of the activities of the Bank are reported in a single governmental fund.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. The Bank's basic services are accounted for in a governmental fund. This fund focuses on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Bank's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Bank maintains one governmental fund, a Special Revenue fund. The governmental fund financial statements can be found as listed in the table of contents.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of the data provided in the financial statements.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

	2020	2019
Assets		
Cash and cash equivalents	\$ 269,743	\$ 3,230,607
Accounts receivable	55,000	-
Total Assets	<u>324,743</u>	<u>3,230,607</u>
Deferred Outflows of Resources		
Deferred OPEB charges	20,129	7,945
Deferred pension charges	41,411	67,361
Total Deferred Outflows of Resources	<u>61,540</u>	<u>75,306</u>
Liabilities		
Current liabilities	35,700	9,500
Net OPEB liability	80,295	272,784
Net pension liability	100,517	358,915
Other noncurrent liabilities	9,319	-
Total Liabilities	<u>225,831</u>	<u>641,199</u>
Deferred Inflows of Resources		
Deferred OPEB credits	272,046	122,366
Deferred pension credits	255,521	104,778
Total Deferred Inflows of Resources	<u>527,567</u>	<u>227,144</u>
Net Position		
Unrestricted	(367,115)	2,437,570
Total Net Position	<u>\$ (367,115)</u>	<u>\$ 2,437,570</u>

The Bank's total assets decreased by \$2,905,864 for the year primarily as a result of current year expenditures of \$15,421,675 which include carryforward funds of \$2,804,685 exceeding revenues of \$12,616,990.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 65,657	\$ 9,063
General Revenues:		
State Revenue	12,502,751	9,031,033
Interest	48,582	96,663
Total Revenues	<u>12,616,990</u>	<u>9,136,759</u>
Expenses:		
General Government	15,421,675	12,205,621
Total Expenses	<u>15,421,675</u>	<u>12,205,621</u>
Change in Net Position	(2,804,685)	(3,068,862)
Net Position - Beginning of Year	<u>2,437,570</u>	<u>5,506,432</u>
Net Position - End of Year	<u>\$ (367,115)</u>	<u>\$ 2,437,570</u>

Expenses exceeded revenues by \$2,804,685 for fiscal 2020 due to the bank expending \$2,804,685 in carryforward funds during the year. Total expenses increased from the prior year by \$3,216,054 (21%) to \$15,421,675. The increase in expenses can be attributed to an increase in grant disbursements and the use of carryforward funds. Personnel services including related employer contributions totaled \$333,528 which is approximately 2.2% of total general government expenses.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

In addition to the grants totaling \$3,000,000 made to the Department of Natural Resources in accordance with State law, the Bank awarded the following grants during the current year:

Property	Grant Amount
Boone Hall	\$ 2,000,000
Saluda Rivers Connector (Phase II)	500,000
Boones Creek Oconee Bell Preserve	200,000
McKinney Creek Oconee Bell Preserve	450,000
Dawn Plantation	313,650
Battle of Hanging Rock - Horton	157,500
Sanctuary Timberlands Tracts	88,248
Roxbury Park Phase II	141,000
Henry Farms North	650,000
Jones Gap Access Tract	503,626
Mariwill Timber Plantation	297,100
Rosemont Plantation Expansion	350,000
Big Rock Access Expansion	10,000
Saluda Rivers Gorge	569,988
Samworth Farms - McTeer Tract	180,000
Core Bunched Arrowhead Preserve	40,000
Kingstree Waterfront Park	25,000
Black River State Park - Phase I	784,600
Rogers Family Farm	99,539
Lyle Property	143,300
Willow Lake (Bamberg Tract)	278,000
S. Tyger River Blueways Tract	140,000
Wild Turkey Creek Tract	74,232
Stuck 2020 Property	347,554
Stumphouse Mountain Expansion	898,527
Battle of Port Royal (Kling) - Liberty Trail	125,000
Battle of Port Royal (Harris Pillow) - Liberty Trail	227,963
Scotland Road Tract	60,000
Mill Shoals Community Forest	1,650,000
Chapman Bridge Oconee Bell Preserve	550,000
Sandy Run Forest	155,000
Grant Meadow Addition	65,000
Less: Current Year Refunds	(9,175)
Total FY2020 Disbursements	<u>\$ 12,065,652</u>

Revenues increased \$3,480,231 (28%) from the prior year to \$12,616,990. The increase can be attributed to an increase in State appropriations.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted above, the Bank maintains only one governmental fund, a Special Revenue fund. All of the Bank's activities are reported in this fund. The differences between the fund balance of this fund and the net position of the Bank are (1) the compensated absences accrual which totaled \$19,084 for the current year, an increase of \$12,957 compared to the prior year (2) the Bank's proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources related to its participation in the State pension plan which totaled \$314,627 for the current year, a decrease of \$81,705 compared to the prior year and (3) the Bank's proportionate share of the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to its participation in the South Carolina Retiree Health Insurance Trust Fund which totaled \$332,212 for the current year, a decrease of \$54,993 compared to the prior year.

BUDGETARY HIGHLIGHTS

Actual expenditures were less than final budgeted expenditures by approximately \$105,355. Any differences between the original budget and the final amended budget relate to additional appropriations approved by the State.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Bank's budget for fiscal year 2021 includes a continued focus on providing conservation grants for the purpose of conserving worthy properties throughout the State while minimizing administrative costs. The Bank will receive \$10,500,000 in appropriations from the General Fund for Conservation Bank Trust programs and \$570,134 for administrative costs. Pursuant to Section 48-59-70 of the SC Code of Laws, the Conservation Bank must award a \$2,000,000 grant to the Department of Natural Resources ("DNR") to be used as the state match for Pittman-Robertson Wildlife Restoration Funds and a \$1,000,000 grant to the DNR for the North American Conservation Act.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, workforce and customers/constituents.

As local and federal governments recommend or mandate restrictions on business and travel in an effort to curb the COVID-19 outbreak by changing consumer behavior, the Bank expects such restrictions to negatively impact the Bank's nonrecurring funds. Given the daily evolution of the COVID-19 outbreak, the Bank cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the Bank's results of operations, net position/fund balance and liquidity in FY 2021.

CONTACTING THE BANK'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the South Carolina Conservation Bank's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Business Manager, South Carolina Conservation Bank, 2711 Middleburg Dr, Suite 308, Columbia, South Carolina, 29204.

Basic Financial Statements

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 269,743
Accounts receivable	55,000
TOTAL ASSETS	324,743
DEFERRED OUTFLOWS OF RESOURCES	
Deferred OPEB charges	20,129
Deferred pension charges	41,411
TOTAL DEFERRED OUTFLOWS OF RESOURCES	61,540
LIABILITIES	
Accrued payroll, related taxes, and employee benefits	25,935
Compensated absences - current	9,765
Long-term obligations:	
Compensated absences - noncurrent	9,319
Net OPEB liability	80,295
Net pension liability	100,517
TOTAL LIABILITIES	225,831
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB credits	272,046
Deferred pension credits	255,521
TOTAL DEFERRED INFLOWS OF RESOURCES	527,567
NET POSITION	
Unrestricted	(367,115)
TOTAL NET POSITION	\$ (367,115)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	Expenses	Charges for Services	Operating Grants and Contributions	Capital	Governmental Activities
Governmental activities:					
General government	\$ 15,421,675	-	65,657	-	\$ (15,356,018)
Total Governmental Activities	\$ 15,421,675	-	65,657	-	(15,356,018)
	General revenues:				
	State revenue				12,502,751
	Interest				48,582
	Total general revenues				12,551,333
	CHANGE IN NET POSITION				(2,804,685)
	NET POSITION, Beginning of Year				2,437,570
	NET POSITION, End of Year				\$ (367,115)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

BALANCE SHEET

JUNE 30, 2020

	SPECIAL REVENUE
ASSETS	
Cash and cash equivalents	\$ 269,743
Accounts receivable	55,000
TOTAL ASSETS	324,743
LIABILITIES	
Accrued payroll, related taxes, and employee benefits	25,935
TOTAL LIABILITIES	25,935
FUND BALANCE	
Committed:	
Conservation projects	298,808
TOTAL FUND BALANCE	298,808
TOTAL LIABILITIES AND FUND BALANCE	\$ 324,743

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

**RECONCILIATION OF TOTAL FUND BALANCE - GOVERNMENTAL FUND TO TOTAL
NET POSITION - GOVERNMENTAL ACTIVITIES**

JUNE 30, 2020

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	298,808
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:		
The Bank's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retiree healthcare plan are not recorded in the governmental fund but are recorded on the Statement of Net Position.		(332,212)
The Bank's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the governmental fund but are recorded on the Statement of Net Position.		(314,627)
Long-term obligations are not due or payable in the current period and, therefore, are not reported in the governmental funds. This amount represents the compensated absences liability as of June 30, 2020.		(19,084)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	(367,115)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE
REVENUES	
State Revenue	\$ 12,502,751
Interest	48,582
Other	65,657
TOTAL REVENUES	12,616,990
EXPENDITURES	
Current:	
General Government:	
Grants paid	15,065,652
Personal services	237,214
Employer contributions	96,314
Other operating	146,236
TOTAL EXPENDITURES	15,545,416
NET CHANGE IN FUND BALANCE	(2,928,426)
FUND BALANCE, Beginning of Year	3,227,234
FUND BALANCE, End of Year	\$ 298,808

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ (2,928,426)
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Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Changes in the Bank's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental fund but are reported in the Statement of Activities.	54,993
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Changes in the Bank's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental fund but are reported in the Statement of Activities.	81,705
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	(12,957)
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TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,804,685)</u>
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The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE A – REPORTING ENTITY

The South Carolina Conservation Bank (the “Bank”) was created by the South Carolina Conservation Bank Act and was passed into law by the General Assembly and signed by the Governor in 2002 and amended in 2018. The Bank is an independent state agency and was established for the purpose of making grants to public and private entities to help fund the acquisition of real properties worthy of conservation, to provide for the governance of the Bank, to establish the South Carolina Conservation Bank Trust Fund to receive revenue, and to provide the criteria which the Bank must use in judging applications for grants.

The Bank is prohibited by law from owning any interests in land, but the Bank uses the revenues allocated to the Trust Fund to provide grant funding for qualified entities for the purpose of acquiring land in the interest of conservation and protection of the landscape. Qualified entities include State and municipal entities as well as not-for-profit charitable corporations and trusts whose principal activity is the acquisition and management of interests in land for conservation or historic preservation purposes.

The Bank is part of the primary government of the State of South Carolina, and its fund is reported in the State’s Comprehensive Annual Financial Report. The core of a financial reporting entity is the primary government, which has a separately elected governing body. An organization other than a primary government, such as the Bank, may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the Bank (a primary entity).

The financial statements of the Bank have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Bank’s accounting policies are described below.

As required by GAAP, the financial statements must present the Bank’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Bank both appoints a voting majority of the entity’s governing body, and either 1) the Bank is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Bank. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Bank and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Bank. Based on these criteria, the Bank does not have any component units.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present the financial position and results of operations solely of the Bank in conformity with accounting principles generally accepted in the United States of America. They do not include any other agencies or funds of the State, nor do they present the financial position of the State, the results of its operations, or its cash flows.

1. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Bank.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Bank does not have any business-type activities.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Bank.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Bank gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Bank recognizes revenues from sales of goods and services if they are received within 30 days of the end of the current fiscal period, and other revenues are considered to be available if they are collected within twelve months of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Bank. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. The Bank has only one major fund and does not have any non-major funds or fiduciary funds.

When both restricted and unrestricted resources are available for use, it is the Bank's practice to use restricted resources first, then unrestricted resources as they are needed.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Bank reports the following governmental fund type and major fund:

Special revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Bank has the following special revenue fund:

The *Special Revenue Fund, a major fund* and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the appropriations received from the State of South Carolina and remitted to the Bank that are legally restricted for expenditures related to habitat protection efforts.

2. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents: The amounts shown in the financial statements as cash and cash equivalents represent cash on hand with the State Treasurer and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State and certain of its political subdivisions, certificates of deposit, and collateralized repurchase agreements. The State's internal cash management pool consists of a general deposit account and several special deposit accounts.

The State records each agency's equity interest in the general deposit account; however, all earnings on the account are credited to the General Fund of the State. The Bank records and reports its deposits in the general deposit account at cost. The Bank reports its deposits in the special deposit accounts at fair value. Investments held by the pool are reported at fair value. Interest earnings are allocated based on the percentage of the Bank's accumulated daily income receivable to the total income receivable of the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains or losses arising from changes in the fair value of investments held by the pool are accrued and allocated at year-end based on the Bank's percentage ownership in the pool. Although the cash management pool includes some long-term investments, it operates as a demand deposit account; therefore, for credit and other risk information pertaining to the cash management pool refer to the footnote on deposits.

Compensated Absences and Related Liabilities: Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workmonth are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave based upon maximum payout guidelines of the State. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory time earned for which the employees are entitled to paid time off or payment at termination. That liability is calculated at fiscal year-end current salary costs and the cost of the salary-related benefit payments.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

Accrued Liabilities: All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

Fund Balance: In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB #54"), the Bank classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the Bank Board before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed and that such assignments are made before the report issuance date.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories.

The Bank generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Bank generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Bank currently has two types of deferred outflows of resources. (1) The Bank reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. (2) The Bank reports *deferred OPEB charges* in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Bank currently has two types of deferred inflows of resources: (1) The Bank reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

(2) The Bank reports *deferred OPEB credits* in its Statement of Net Position in connection with its participation in the South Carolina Retiree Health Insurance Trust Fund. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

Net Position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments.

Pensions and Other Postemployment Benefits: In government-wide financial statements, pensions and other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see Notes G and H and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The Bank recognizes net pension and net OPEB liabilities for each plan in which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the Bank’s proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Bank’s fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Budget Policy: The appropriation as enacted by the General Assembly becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit and within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State’s budgetary accounting system only if enough cash and appropriation authorization exist.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE C – DEPOSITS

Deposits Held by State Treasurer — All deposits and investments of the Bank are under control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2020, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or its agents in the State's name. With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are in investments for which the securities are held by the State or its agents in the State's name.

Information pertaining to the reported amounts, fair value, credit and other risks as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201 or by visiting the Comptroller General's website at <http://www.cg.sc.gov>.

NOTE D – COMPENSATED ABSENCES

The change in compensated absences for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 6,127	16,092	3,135	19,084	\$ 9,765

NOTE E – RELATED PARTY TRANSACTIONS

State of South Carolina and Agencies

The Bank has significant transactions with the State and various State agencies.

The Bank receives certain services at no cost from State agencies. The main services received by the Bank from State agencies are: maintenance of certain accounting records, payroll and disbursement processing and GIS mapping services from the State Comptroller General and Department of Natural Resources, check preparation and banking functions from the State Treasurer, legal services from the State Attorney General, record storage from the Department of Archives and History and administrative management from the Department of Administration. For certain of these services the Bank also utilizes the services of third parties.

NOTE F – RISK MANAGEMENT

The Bank is exposed to various risks of loss, which include property damage, automobile liability, injury and illness to employees, injury to visitors, injury to volunteers, tort liability, and business interruption. The Bank maintains State insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims and claims/losses have not exceeded this coverage in any of the past three years for the insured risks or for self-insured employee fidelity losses in the past three years.

The Bank pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE F – RISK MANAGEMENT (CONTINUED)

Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

- Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
- Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
- Claims of covered public employees for health and dental insurance benefits (South Carolina Public Employee Benefit Authority – Insurance Benefits); and
- Claims of covered public employees for long-term disability and group-life insurance benefits (South Carolina Public Employee Benefit Authority – Insurance Benefits).

The coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums which are remitted to commercial carriers.

The Bank and other entities pay premiums to the State's Insurance Reserve Fund (the "IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following Bank assets, activities, and/or events:

- Theft of, damage to, or destruction of assets;
- Real property, its contents, and other equipment;
- Motor vehicles, aircraft, and watercraft (inland marine);
- Torts;
- Business interruptions; and
- Natural disasters

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, and automobile liability. Also, the IRF purchases reinsurance for catastrophic property insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for aircraft and ocean marine coverage. The IRF's rates are determined actuarially.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Bank's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be recorded at year-end. Therefore, no loss accrual has been recorded.

NOTE G – RETIREMENT PLAN

The Bank participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on the PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (“State ORP”) is a defined contribution plan that is offered as an alternative to the SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts, and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. The PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems’ trust funds for financial statement purposes.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP – As an alternative to membership in the SCRS, newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as the SCRS. A direct remittance is required from the employers to the member’s account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to the SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by the SCRS.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022 (the employer contribution rates were frozen for the upcoming fiscal year - see "Subsequent Event to the Plans Measurement Date" at the end of this section for more details). If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

Plan Contributions (Continued)

PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

As noted earlier, both employees and the Bank are required to contribute to the Plan at rates established and as amended by the PEBA. The Bank's contributions are actuarially determined but are communicated to and paid by the Bank as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS and State ORP Rates		
	2018	2019	2020
Employer Contribution Rate: ^			
Retirement*	13.41%	14.41%	15.41%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	<u>13.56%</u>	<u>14.56%</u>	<u>15.56%</u>
Employee Contribution Rate ^	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

* Of the rate for the State ORP Plan, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

The required contributions and percentages of amounts contributed to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		State ORP Contributions	
	Required	% Contributed	Required	% Contributed
2020	\$ 15,188	100%	\$ 12,969	100%
2019	6,698	100%	-	100%
2018	\$ 22,509	100%	\$ -	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS contribution increases for the year ended June 30, 2019. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2019 (measurement date) to the Bank were approximately \$2,100.

Eligible payrolls covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	State ORP Payroll	Total Payroll
2020	\$ 97,610	122,816	\$ 220,426
2019	46,000	-	46,000
2018	\$ 165,992	-	\$ 165,992

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”), and are based on an actuarial valuation performed as of July 1, 2018. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019 (measurement date) for the SCRS and PORS.

	SCRS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (“2016 PRSC”), were developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2019 measurement date, for the SCRS and PORS, are presented in the following table:

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 50,073,060,256	27,238,916,138	\$ 22,834,144,118	54.4%

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2020 the Bank reported liabilities of approximately \$101,000 for its proportionate share of the NPL for the SCRS. The NPL were measured as of June 30, 2019, and the TPL for the Plan used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2018 that was projected forward to the measurement date. The Bank's proportion of the NPL were based on a projection of the Bank's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2019 measurement date, the Bank's SCRS proportion was 0.000440 percent, which was a decrease of 0.001162 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Bank recognized a pension benefit of approximately \$53,000 for the SCRS. At June 30, 2020, the Bank reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 69	\$ 722
Change in Assumptions	2,026	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	890	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	10,269	254,799
Employer Contributions Subsequent to the Measurement Date	28,157	-
Total SCRS	<u>\$ 41,411</u>	<u>\$ 255,521</u>

Approximately \$28,000 that were reported as deferred outflows of resources related to the Bank's contributions subsequent to the measurement date to the SCRS will be recognized as a reduction of the NPL in the year ended June 30, 2021.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE G – RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS
2021	\$ (82,143)
2022	(94,956)
2023	(63,916)
2024	(1,252)
Total	<u>\$ (242,267)</u>

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the sensitivity of the Bank's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Bank's proportionate share of the net pension liability of the SCRS	\$ 126,631	100,517	\$ 78,724

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Subsequent Event to the Plans Measurement Date

In May 2020, due to the global health crisis/pandemic caused by the COVID-19 virus, the South Carolina General Assembly included a provision in its continuing resolution for suspending the statutory employer contribution rate increase of 1% for the 2020-2021 fiscal year. This means that the employer contribution rate for the Plans during the 2020-2021 fiscal year, as expressed as a percentage of earnable compensation, shall remain at the same rate as imposed for the 2019-2020 fiscal year.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS

The PEBA is the state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts, and retirement systems. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of the PEBA. By law, the SFAA also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits ("OPEB"). See Note G for more details on the PEBA and the SFAA.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

The PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB trust funds. This information is publicly available through the PEBA – Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Postemployment Benefits Trust Funds ("OPEB Trusts" or "OPEB Plans"), collectively refers to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), were established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability ("BLTD") Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The PEBA Board has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Plan Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Benefits (Continued)

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability. Since the employer contribution/premium paid and the proportionate share of the net OPEB liability and related deferred outflows and inflows of resources related to the SCLTDITF are not material to the Bank, no SCLTDITF OPEB amounts have been recorded in these financial statements and only limited note disclosures have been provided related to these benefits.

Plan Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through nonemployer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Nonemployer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Nonemployer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The covered payroll surcharge rates for the past three years were as follows:

	Year Ended June 30,		
	2018	2019	2020
Employer Contribution Rate [^]	5.50%	6.05%	6.25%

[^] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The required payroll surcharge, percentages of amounts contributed, and eligible payroll covered by the SCRHITF for the past three years were as follows:

Year Ended June 30,	Contributions		Eligible Payroll
	Required	% Contributed	
2020	\$ 13,777	100%	\$ 220,436
2019	2,813	100%	46,000
2018	\$ 8,881	100%	\$ 165,992

The State (via state appropriations) and the PEBA – Insurance Benefits (via state statute to transfer amounts above 140% of incurred but not reported claims) contributed to the SCRHITF on behalf of the Bank approximately \$1,000 for the year ended June 30, 2019 (measurement period). The contributions from these nonemployer contributing entities for the year ended June 30, 2020 and are recognized as state revenues and intergovernmental expenditures in the Bank's governmental fund financial statements.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Contributions and Funding Policies (Continued)

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from nonemployer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of the Bank's Proportionate Share of the Net OPEB Liability and the Schedule of the Bank's Contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about the Bank's net OPEB liability, funded status of the OPEB Plan, and the Bank's contributions to the OPEB Plan.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability, net OPEB liability, and sensitivity information were determined by the consulting actuary and are based on the June 30, 2018 actuarial valuation. The total OPEB liability was rolled-forward from the valuation date to the OPEB plan's fiscal year ended June 30, 2019 using generally accepted actuarial principles.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The following table provides a summary of the actuarial assumptions and methods used in the latest valuation for the SCRHITF:

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of plan investment expense: including inflation
Single Discount Rate:	3.13% as of June 30, 2019
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the based tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Participation Assumption:	79% for retirees who are eligible for funded premiums 59% for retirees who are eligible for partial funded premiums 20% for retirees who are eligible for non-funded premiums
Notes:	The discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019. Minor updates were made to the healthcare trend rate assumption.

Long-Term Expected Rate of Return

The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
US Domestic Fixed Income	80.0%	0.60%	0.48%
Cash	20.0%	0.10%	0.02%
Total	100.0%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the SCRHITF's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability ("NOL") is calculated separately for each system and represents that particular system's total OPEB liability determined in accordance with GASB No. 74 less its fiduciary net position. NOL totals, as of the June 30, 2019 measurement date for the SCRHITF, are presented in the following table:

System	Total OPEB Liability	OPEB Plan Fiduciary Net Position	Employers' Net OPEB Liability (Asset)	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 16,516,264,617	1,394,740,049	\$ 15,121,524,568	8.44%

The total OPEB liability is calculated by PEBA's actuary, and the fiduciary net position is reported in the PEBA's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the PEBA's notes to the financial statements and required supplementary information. Liability calculations performed by the PEBA's actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 are not applicable for other purposes, such as determining the OPEB Plans' funding requirements.

At June 30, 2020 the Bank reported a liability of approximately \$80,000 for its proportionate share of the net OPEB liability for the SCRHITF. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability for the SCRHITF used to calculate the net OPEB liability was determined based on the most recent actuarial valuation report of June 30, 2018 that was projected forward to the measurement date. The Bank's proportion of the net OPEB liability was based on a projection of the Bank's long-term share of contributions to the SCRHITF relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2019 measurement date, the Bank's proportion was 0.000531 percent, which was a decrease of 0.001394 from its proportion measured as of June 30, 2018.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2020 the Bank recognized an OPEB benefit of approximately \$41,000 for the SCRHITF. At June 30, 2020, the Bank reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 945	\$ 2,610
Change in Assumptions	5,313	4,972
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	94	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	-	264,464
Employer Contributions Subsequent to the Measurement Date	13,777	-
Total	<u>\$ 20,129</u>	<u>\$ 272,046</u>

Approximately \$14,000 that was reported as deferred outflows of resources related to the Bank's contributions subsequent to the measurement date to the SCRHITF, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the SCRHITF will increase (decrease) OPEB expense as follows:

Year Ended June 30,	Increase (Decrease) OPEB Expense
2021	\$ (46,052)
2022	(46,052)
2023	(46,083)
2024	(46,132)
2025	(45,281)
Thereafter	(36,094)
Total	<u>\$ (265,694)</u>

Sensitivity Analysis

The following table presents the sensitivity of the Bank's net OPEB liability for the SCRHITF to changes in the discount rate, calculated using the discount rate of 3.13%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.13%) or 1% point higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB Liability	\$ 95,189	80,295	\$ 68,342

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis (Continued)

The following table presents the sensitivity of the Bank's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 6.40% decreasing to 4.15%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.40% decreasing to 3.15%) or 1% point higher (7.40% decreasing to 5.15%) than the current rate:

	1% Decrease (5.40% decreasing to 3.15%)	Current Healthcare Cost Trend Rate (6.40% decreasing to 4.15%)	1% Increase (7.40% decreasing to 5.15%)
Net OPEB Liability	\$ 65,530	80,295	\$ 99,525

OPEB Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the OPEB Plans administered by the PEBA is available in the separately issued financial statements and required supplementary information for the South Carolina Public Employee Benefit Authority, Insurance Benefits and Other Post Employment Benefits Trust Funds. This information is publicly available through the Insurance Benefits' link on the PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to the PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223.

NOTE I – COMMITMENTS

The Bank entered into a lease agreement to rent office space through June 30, 2025. Future commitments are summarized for disclosure as follows:

Year Ended June 30,	Amount
2021	\$ 21,078
2022	21,078
2023	21,078
2024	21,078
2025	21,078
Total	<u>\$ 105,390</u>

Required Supplementary Information

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF EXPENDITURES - BUDGETS AND ACTUAL (NON-GAAP BASIS)

YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
EXPENDITURES				
Conservation Trust grants	\$ 15,065,652	15,065,652	15,065,652	\$ -
Personnel services	261,842	261,842	221,026	(40,816)
Employer contributions	123,603	123,603	89,940	(33,663)
Other operating	177,112	177,112	146,236	(30,876)
TOTAL EXPENDITURES	\$ 15,628,209	15,628,209	15,522,854	\$ (105,355)

RECONCILIATION TO GAAP BASIS

Increase in accrued payroll	22,562
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**TOTAL EXPENDITURES PER STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**

\$ 15,545,416

Note: The notes to the budgetary comparison schedule are an integral part of this schedule.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2020

A. BUDGETARY FUNDS

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds – These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds – The Total Funds column in the Appropriation Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

Amounts presented as *Other Budgeted Funds* are obtained by subtracting the General Funds column in the Appropriation Act from the Total Funds column. Revenue is not presented in the budgetary schedule because it is budgeted at the State-wide level.

B. BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used, while the accrual basis is used for other expenditures.

State law does not precisely define the State's budgetary basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 12.
- Certain revenues collected in advance are recorded as liabilities (unearned revenues) rather than as revenues.
- The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, and retail sales taxes.
- Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.
- All other revenues are recorded only when the State receives the related cash.

C. BUDGET TO GAAP REPORTING DIFFERENCES

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist principally of reclassifications from financial statement fund types of budgetary fund categories, reversals of payroll accruals and the related fringe benefits, and removal of unbudgeted accounts. Budgetary accounting principles differ significantly from GAAP accounting principles. The differences between the budgetary comparison schedule as compared to the Statement of Revenues, Expenditures, and Changes in Fund Balance are related strictly to the modified accrual basis of accounting which include accounts receivable and accounts payable as revenues and expenditures in the current year while the budgetary basis would include those amounts in the year that payments were actually received or paid.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SOUTH CAROLINA CONSERVATION BANK'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM**

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
South Carolina Conservation Bank's Proportion of the Net Pension Liability	0.00044%	0.00160%	0.00227%	0.00212%	0.00161%	0.00163%	0.00163%
South Carolina Conservation Bank's Proportionate Share of the Net Pension Liability	\$ 100,517	358,915	509,888	451,761	305,534	280,804	\$ 292,543
South Carolina Conservation Bank's Covered Payroll	\$ 46,000	165,992	170,342	150,753	159,633	148,094	\$ 143,217
South Carolina Conservation Bank's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	218.52%	216.22%	299.33%	299.67%	191.40%	189.61%	204.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.398%	54.105%	53.338%	52.906%	56.992%	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The Bank adopted GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 28,157	6,698	22,509	19,692	16,673	17,400	15,698	15,181	12,380	\$ 12,188
Contributions in Relation to the Contractually Required Contribution:										
Contributions from the Bank	26,068	4,609	20,420	19,692	16,673	17,400	15,698	15,181	12,380	12,188
Contributions from the State	2,089	2,089	2,089	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
Bank's Covered Payroll	\$ 97,610	46,000	165,992	170,342	150,753	159,633	148,094	143,217	129,837	\$129,798
Contributions as a Percentage of Covered Payroll	28.85%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%	10.60%	9.54%	9.39%

**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SOUTH CAROLINA CONSERVATION BANK'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND**

LAST FOUR FISCAL YEARS

	Year Ended June 30,			
	2020	2019	2018	2017
South Carolina Conservation Bank's Proportion of the Net OPEB Liability	0.000531%	0.001925%	0.002710%	0.002710%
South Carolina Conservation Bank's Proportionate Share of the Net OPEB Liability	\$ 80,295	272,784	367,065	\$ 392,100
South Carolina Conservation Bank's Covered Payroll	\$ 46,000	165,992	170,342	\$ 150,753
South Carolina Conservation Bank's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	174.6%	164.3%	215.5%	260.1%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	8.4%	7.9%	7.6%	6.6%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year (measurement date).

The Bank adopted GASB #75 during the year ended June 30, 2018. Information before 2017 is not available.

The discount rates used by year were as follows:

3.13%	3.62%	3.56%	2.92%
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**SOUTH CAROLINA CONSERVATION BANK
COLUMBIA, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SOUTH CAROLINA CONSERVATION BANK'S CONTRIBUTIONS
SOUTH CAROLINA RETIREE HEALTH INSURANCE TRUST FUND**

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 13,777	2,813	8,881	12,181	8,035	7,982	7,286	6,516	5,583	\$ 5,062
Contributions in Relation to the Contractually Required Contribution	13,777	2,813	8,881	12,181	8,035	7,982	7,286	6,516	5,583	5,062
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
Bank's Covered Payroll	\$ 220,436	46,000	165,992	170,342	150,753	159,633	148,094	143,217	129,837	\$ 129,798
Contributions as a Percentage of Covered Payroll	6.25%	6.12%	5.35%	7.15%	5.33%	5.00%	4.92%	4.55%	4.30%	3.90%

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of South Carolina Conservation Bank (the "Bank") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Bank's basic financial statements, and have issued our report thereon dated August 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene Finney, LLP

Greene Finney, LLP
Mauldin, South Carolina
August 12, 2020